

**BOARD OF ASSESSMENT APPEALS,
STATE OF COLORADO**

1313 Sherman Street, Room 315
Denver, Colorado 80203

Docket No.: 61255

Petitioner:

UNIT PETROLEUM COMPANY,

v.

Respondent:

**MONTEZUMA COUNTY BOARD OF
EQUALIZATION.**

ORDER

THIS MATTER was heard by the Board of Assessment Appeals on October 4, 2013, Diane M. DeVries, Brooke B. Leer, and MaryKay Kelley presiding. Petitioner was represented by Karen L. Spaulding, Esq. Respondent was represented by John Baxter, Esq. Petitioner is protesting the 2012 actual value of the subject property.

The parties agreed to consolidation of Dockets 61255 and 61256 for purposes of the hearing. The parties also stipulated to the equipment lists provided in Petitioner's Exhibits.

The subject property consists of personal property (equipment) for oil and gas wells in the Paradox Basin.

Respondent assigned a value of \$735,328:

<u>Schedule Number</u>	<u>Well Name</u>	<u>Actual Value</u>
E100038	Sagebrush 1	\$ 86,895
E100039	Sleeping Ute 2	\$ 86,895
E100040	Little Ute 1	\$ 67,057
E100042	Sleeping Ute 3	\$ 88,632
E100043	Yellow Jacket 1-26	\$ 86,895
E100044	Yellow Jacket 2-26	\$ 86,895
E100228	Sleeping Ute 4	\$135,654
E100229	Sleeping Ute 5	\$ 96,405
		<u>\$735,328</u>

Petitioner requested a value of \$297,322 based on testimony provided by Paul Beacom, Tax Consultant for KE Andrews & Company. Mr. Beacom strictly applied the Basic Equipment List (“BELs”) tables using annual factored tables based on industry publications to estimate the values and thereby addressing economic obsolescence. “Minimal condition” (ARL Vol. 5, Page 6.7) tables for stripper, shut-in, and non-producing well equipment addressed functional obsolescence. Per Mr. Beacom, super-adequate equipment did not carry higher values. Petitioner’s witness presented the following indicated values:

Schedule Number	Well Name	Indicated Values
E100038	Sagebrush 1	\$ 33,237
E100039	Sleeping Ute 2	\$ 75,127
E100040	Little Ute 1	\$ 25,932
E100042	Sleeping Ute 3	\$ 14,199
E100043	Yellow Jacket 1-26	\$ 21,918
E100044	Yellow Jacket 2-26	\$ 19,433
E100228	Sleeping Ute 4	\$ 93,277
E100229	Sleeping Ute 5	<u>\$ 14,199</u>
		\$297,322

Respondent’s witness, Jerry Wisdom, Oil & Gas Manager for Total Assessment Solutions Corporation, assigned current market values. He did not apply functional obsolescence, arguing that the equipment, regardless of well location, retained its utility and market value; rather, he assigned average or very good condition ratings based on visual inspection. He argued that four of Petitioner’s oil wells were actually gas wells with higher values. He argued that two well depths were calculated incorrectly and that Petitioner’s tank count was wrong. Respondent’s witness presented the following indicated values:

Schedule Number	Well Name	Indicated Values
E100038	Sagebrush #1	\$ 85,688
E100039	Sleeping Ute 2	\$ 85,688
E100040	Little Ute 1	\$ 84,682
E100042	Sleeping Ute 3	\$ 66,051
E100043	Yellow Jacket 1-26	\$ 88,864
E100044	Yellow Jacket 2-26	\$ 73,496
E100228	Sleeping Ute 4	\$123,931
E100229	Sleeping Ute 5	<u>\$ 96,405</u>
		\$704,805

Petitioner presented sufficient probative evidence and testimony to prove that the tax year 2012 valuation of the subject properties was incorrect.

The applicable statutory reference for valuation is Section 39-7-103, C.R.S.:

All surface oil and gas well equipment and submersible pumps and sucker rods located on oil and gas leaseholds or lands shall be separately valued for assessment as personal property, and such

valuation may be at an amount determined by the assessors of the several counties of the state, approved by the administrator, and uniformly applied to all such equipment wherever situated in the state. All other subsurface oil and gas well equipment, including casing and tubing shall be valued as part of the leasehold or land under section 39-7-102.

Valuation of oil and gas equipment is addressed in Volume 5, Chapter 6 of the Assessor's Reference Library (ARL), which defines the Basic Equipment List and the Valuation Grids. "The BELs (Basic Equipment List) and the Valuation Grids shall be used to determine the actual value of the production equipment." (ARL, Vol. 5, Page 6.2) Further, "[t]he BELs identify the equipment common to each particular type of well by basin, depth, production level, and method of production". (ARL, Vol. 5, Page 6.1) The Valuation Grids "place a value on the BEL based on the condition of its equipment and the depth and production of its well. The three grids distinguish between very good condition equipment, average condition equipment, and minimum condition equipment." (ARL, Vol. 5, Page 6.1)

"The administrator is authorized to prepare and publish materials concerning methods of appraisal and to require their utilization by assessors in valuing and assessing taxable property. These manuals are binding upon the assessors." *Xerox Corp. v. Bd. of County Comm'rs, Arapahoe County*, 87 P.3d 189, 191 (Colo. App. 2003).

The Board finds that the BELs and Valuation Grids emphasize state-wide uniformity and are binding upon assessors. While both parties used this approach, Petitioner's adherence was strict, while Respondent deviated by assigning condition ratings for stripper and shut-in wells other than is required by ARL Volume 5, pages 6.9 and 6.10. The Board finds Petitioner's strict adherence to be in compliance with statute and the ARL and to be more persuasive.

The Board takes note of Respondent's argument that the methodology for the BELs and Valuation Grids should be revisited. However, current statute allows this methodology to be used, and the Property Tax Administrator has approved it. Accordingly, it must be uniformly applied to all applicable equipment situated in the state. A request to change the methodology would be more appropriately directed to the Property Tax Administrator or to the General Assembly.

ORDER:

Respondent is ordered to reduce the 2012 actual value of the subject property to \$297,322.

The Montezuma County Assessor is directed to change his/her records accordingly.

APPEAL:

If the decision of the Board is against Petitioner, Petitioner may petition the Court of Appeals for judicial review according to the Colorado appellate rules and the provisions of Section 24-4-106(11), C.R.S. (commenced by the filing of a notice of appeal with the Court of Appeals within forty-nine days after the date of the service of the final order entered).

If the decision of the Board is against Respondent, Respondent, upon the recommendation of the Board that it either is a matter of statewide concern or has resulted in a significant decrease in the total valuation of the respondent county, may petition the Court of Appeals for judicial review according to the Colorado appellate rules and the provisions of Section 24-4-106(11), C.R.S. (commenced by the filing of a notice of appeal with the Court of Appeals within forty-nine days after the date of the service of the final order entered).

In addition, if the decision of the Board is against Respondent, Respondent may petition the Court of Appeals for judicial review of alleged procedural errors or errors of law within thirty days of such decision when Respondent alleges procedural errors or errors of law by the Board.

If the Board does not recommend its decision to be a matter of statewide concern or to have resulted in a significant decrease in the total valuation of the respondent county, Respondent may petition the Court of Appeals for judicial review of such questions within thirty days of such decision.

Section 39-8-108(2), C.R.S.

DATED and MAILED this 3rd day of December, 2013.



I hereby certify that this is a true and correct copy of the decision of the Board of Assessment Appeals.

Milla Lishchuk

BOARD OF ASSESSMENT APPEALS

Diane M. DeVries

Brooke B. Leer

MaryKay Kelley